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**Teachers' Retirement  
System**

This report documents the results of our financial-compliance audit of the Teachers' Retirement System for the two fiscal years ended June 30, 2004. This report contains one recommendation related to the actuarial soundness of the System. The previous audit report contained no recommendations.

Teachers' Retirement System personnel prepare the financial statements from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) with adjustment. Adjustments are made to more accurately present financial activity to the readers of the statements. We issued an unqualified opinion on the financial statements presented in this report which means the reader can rely on the financial information presented.

The listing below serves as a means of summarizing the recommendation contained in the report, the System's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the Teachers' Retirement Board seek legislation for funding changes to ensure the Teachers' Retirement System is funded on an actuarially sound basis, as required by Board policy and the Montana Constitution. .... 7

System Response: Concur. See page B-3.